



Las Vegas

PLANNING LAS VEGAS AS A WORLD-CLASS CITY

GROWTH WATCH

Development Trends In Downtown Las Vegas

Development in the downtown area of the city of Las Vegas has increased substantially, with a shift from public to private projects. This shift seems to indicate that developers are increasingly confident in the future of the area and are willing to take chances that may not have been viable just a few years ago.

During the recession, the major projects in the downtown area were primarily supported by the public sector. These included the Mob Museum, the Smith Center for the Performing Arts, the Bonneville Transit Center and the new City Hall building and associated parking structure. Even more recently, the Discovery Children's Museum has opened, and the I.C.E. Federal Building is under construction.

But the shift to the private sector has begun, with the renovation of the old city hall building for the Zappos headquarters and the introduction of the Downtown Project fueling resurgence in area development. The Downtown Project has been in the process of assembling land for future projects, has entitled a dog park and is currently under construction on the Container



Discovery Children's Museum, photo by Ryan Reason

Park site. The Fremont East district has seen a number of new projects open in recent months, including Radio City Pizza, Commonwealth, the Park on Fremont, La Comida and Eat. The 18b Arts district has also seen an uptick in activity with the opening of Art Square, the Velveteen Rabbit and the approval of a number of urban lounges still in development. During 2012, \$95,640,471 in commercial building permits were pulled for development projects in the Downtown Centennial plan area.

In addition to new development, there is a strong interest in improving the existing hotel and gaming establishments that have long been the foundation of the area. These include the renovations of the El Cortez, the Golden Gate, The D (formerly Fitzgerald's) and the Downtown Grand (formerly the Lady Luck). With all of the development activity in downtown Las Vegas, it has become more popular as a destination for both tourists and local residents. ^{GW}

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Downtown Business Licensing Trends



Commonwealth, on Fremont East Street. Photo by Jeremy Hostetter

The largest single area of growth in business licenses for the Downtown Centennial Plan Area has been in the special-purpose liquor license categories created for this redevelopment area. The number of tavern-limited licenses in the area has nearly doubled in the past year, and the number of urban lounge licenses in the Arts District has gone from one to six. With the recent action by the Las Vegas City Council to extend the area for Tavern-limited licenses from the Entertainment District to the entire Downtown Centennial Plan Area, this trend is expected to continue.

Large and small restaurant licenses showed more modest growth, with an increase of around six percent for the year. This sector should show more growth, particularly in the Fremont East area when the Zappos campus at the old city hall opens.

Recent and pending code amendments are aimed at updating the liquor licensing code to accommodate new business models and reduce start-up costs for small establishments. Pending amendments

include establishment of a beer and wine room license and making the brew pub license into an ancillary license that can be used with a beer and wine room, a tavern-limited license or a tavern license. The city is also working to amend the state law that requires approval of a brew pub location by the local county government (even in incorporated cities), eliminating another costly and time-consuming step in the current application process. It is expected that the reduced cost and streamlined application process for these licenses will encourage growth in the food and beverage sector throughout the downtown area.

The lodging industry has shown little change overall, with the numbers of motel and resort hotels remaining unchanged. The small hotel count has declined by almost half, but this appears to reflect a change in business model rather than in the number of establishments, with existing small hotels converting to residence hotels. Changes are projected in this area over the next year, as there appears to be some interest in purchasing

older motel properties in and around the Fremont East area with the intent of converting these buildings to office and general retail uses.

There has been modest growth in general retail establishments in the downtown area. The only segment of the retail market showing a significant increase is in the number of artists and retail art galleries. All sectors of general retail sales are anticipated to increase as the Zappos campus opens and brings more daily workers to the downtown area. In particular, increased occupancy in the downtown high-rise residential buildings will provide an incentive to open full-service grocery stores, which are currently poorly represented in the downtown area.

The number of professional offices has declined slightly, but the number of professionals licensed in the area has shown an increase, probably due to efforts at bringing real estate brokerages into full compliance with the requirements for individual licensing of agents. Depending on the success of the entrepreneurs who are seeking to convert motel properties to office use, increase in this sector may be seen as well, fueled by the availability of low-cost office space located near the various court buildings and other public offices. ^{GW}



The Beat Coffeehouse



Housing Development Trends



Urban multi-family housing located downtown Las Vegas

If one were to look at the city of Las Vegas's downtown area housing mix, one would see a combination of single family homes and multi-family homes, consisting primarily of multiplex units and small apartment complexes. In the early days of the city, multi-family units and trailers outnumbered single family units. Over time, the trailers became less prevalent but the multi-family units continued to outnumber single family units. As the city began to expand away from downtown, larger lots were available, allowing for more single family unit construction. Even with increased single family unit construction, as recently as 1990, less than half of the housing units in Las Vegas were single family. But by the 1990s, the trend to build more single family units picked up steam.

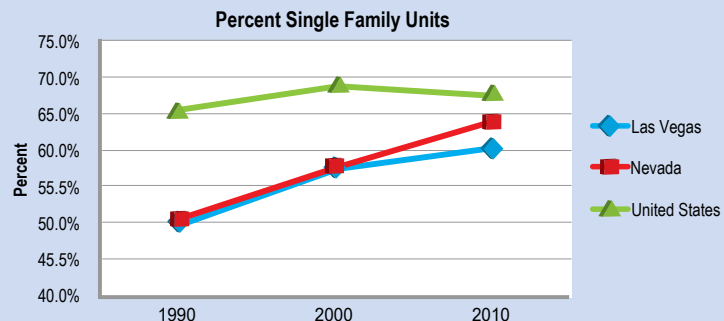
As shown in top chart to the right, in 1990 the state of Nevada had 50.6 percent and nationally 65.5 percent of all housing units were single family. By 2000, both the state and the city increased to near 57 percent while the national trend peaked near 70 percent. As shown in the second chart, the city's housing "bust" began in 2008 sliding from its previous high of 61 percent and diverging away from the national and state trends.

Why the change for Las Vegas? The decrease in single family unit construction is likely due to a combination of foreclosures, bankruptcies and high unemployment. Nevada, fueled by Las Vegas' local economy, has the highest foreclosure rate in the country. One of every 115 households either is or was in foreclosure, approximately twice the rate of the closest state. In 2011, the state had the highest rate of bankruptcies in the nation at (nine per 1,000 residents) as well as the highest rate of unemployment in the nation (peaked at nearly 15 percent). These factors combined made purchasing a home difficult for many Las Vegas residents. As such, many city residents have entered the rental market, increasing the demand for multi-family housing during the past five years. In addition, condominiums and townhomes were seen as affordable/entry level housing

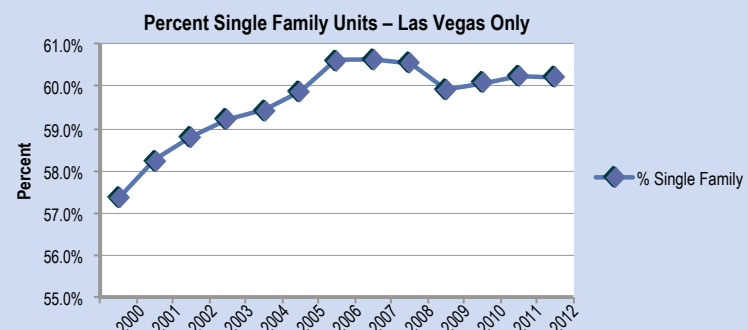
options during this time, increasing the demand for multi-family housing.

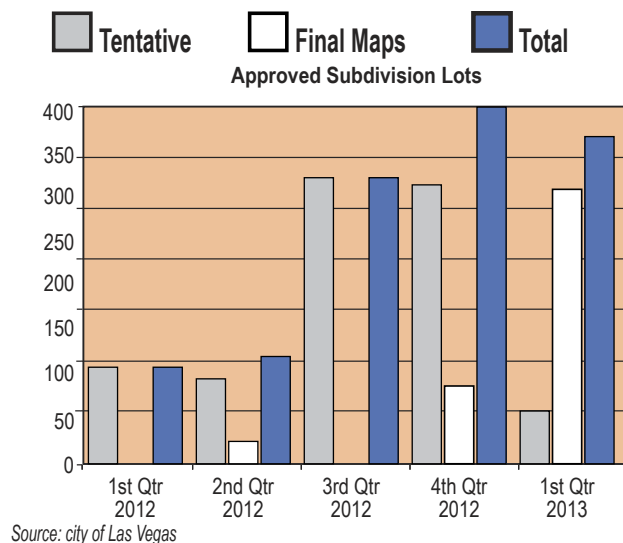
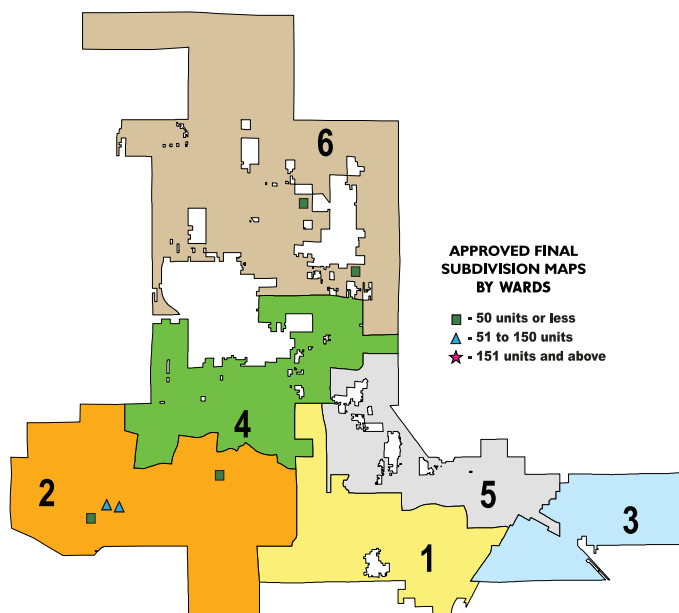
Is the trend of the past five years in Las Vegas going to continue? Probably not. The return to a market where single family unit construction exceeds that of multi-family construction is already taking shape. Since the beginning of 2011, more than 2,000 building permits have been issued for new single family unit construction while about 200 multi-family units were permitted. The return to a "normal" housing market will take some time as the economy and individual credit recover. In the future, normal might mean cycles of different types of housing units being built, depending upon market demand, rather than the long cycle of single family heavy construction the city had experienced for more than twenty years. ^{GW}

Long Term Trend Of Percentage Of Total Housing Units That Are Single Family



Detailed Yearly Trend Of Percentage Of Total Housing Units That Are Single Family





Center For Business And Economic Research's (CBER) Leading Index Predicts Growth For Early 2013

"CBER's *Southern Nevada Coincident Index* represents the current state of the Southern Nevada economy using two series that measure Las Vegas Metropolitan Statistical Area employment. CBER's *Southern Nevada Leading Index* uses local, regional, and national variables to predict movement in the coincident index four to six months in advance.

For the Great Recession, the coincident index peaked in January 2008 and reached its lowest point in September 2010. The leading index peaked in July 2007 – six months before the coincident index and reached its bottom in February 2010 – seven months before the coincident index started recovery.

With the most recent data, CBER's *Southern Nevada Coincident Index* had its largest increase since May 2012. Year-over-year the index is up by 1.19 percent. CBER's *Southern Nevada Leading Index* also increased for October 2012, benefiting from gains in our neighboring states.

| Approved Subdivision Lots | | | |
|---------------------------|----------------|------------|-------|
| | Tentative Maps | Final Maps | Total |
| 1st Qtr-2012 | 108 | – | 108 |
| 2nd Qtr-2012 | 95 | 25 | 120 |
| 3rd Qtr-2012 | 320 | – | 320 |
| 4th Qtr-2012 | 312 | 87 | 399 |
| 1st Qtr-2013 | 59 | 307 | 366 |
| % Chg Last Qtr | -81.1 | 252.9 | -8.3 |
| % Chg Last Year | -45.4 | 100.0 | 238.9 |

| Leading Economic Indicators | | | | |
|------------------------------------|--------|---------------|------------------------|-----------------|
| SERIES | DATE | LATEST PERIOD | CHANGE PREVIOUS PERIOD | CHANGE YEAR AGO |
| Arizona Index | Oct-12 | 746.19 | 0.20% | 2.68% |
| California Index | Oct-12 | 585.27 | 0.29% | 3.91% |
| S&P 500 Index | Oct-12 | 1470.58 | -0.10% | 19.28% |
| McCarran Total Passengers | Oct-12 | \$ 3,456,081 | -0.49% | -1.84% |
| OVERALL INDEX CHANGE | | 693.67 | 0.21 | 3.11% |
| Coincident Index | | | | |
| SERIES | DATE | LATEST PERIOD | CHANGE PREVIOUS PERIOD | CHANGE YEAR AGO |
| Las Vegas MSA Nonfarm Employment | Oct-12 | \$ 817,727 | 0.24% | 0.66% |
| Las Vegas MSA Household Employment | Oct-12 | \$ 874,276 | 0.91% | 1.75% |
| OVERALL INDEX CHANGE | | 362.60 | 0.56% | 1.19% |

Source: UNLV Center for Business and Economic Research, January 2013

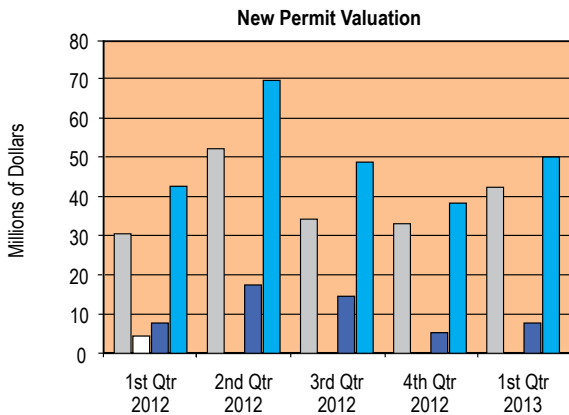
Year-over-year, the leading index is up by 3.11 percent. This implies that we should see overall growth in the Coincident Index for first quarter of 2013.

Changes in CBER's three other indexes for Southern Nevada were as follows:

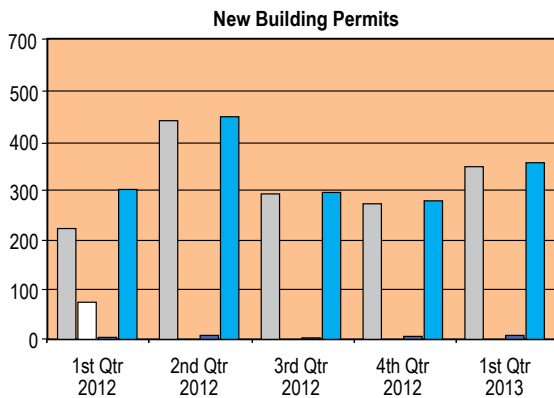
- CBER's Clark County Business Activity Index increased after two months of decline and is faring better than in October 2011.
- CBER's Clark County Tourism Index increased and is up year-over-year.
- CBER's Clark County Construction Index experienced its largest increase in over a year, but the gains weren't enough to push it above the level from October last year."



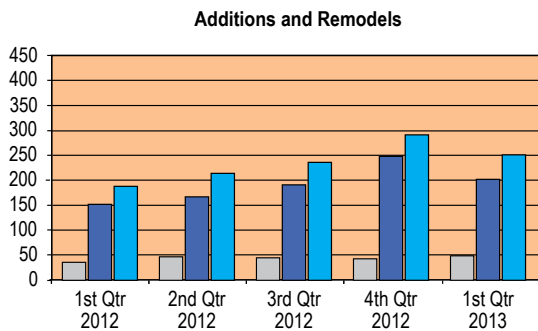
Single Family Multi-Family Commercial Total



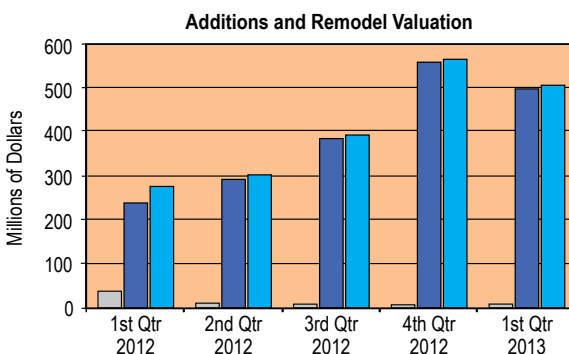
| New Permit Valuation | | | | |
|----------------------|---------------|--------------|---------------|---------------|
| | Single Family | Multi-Family | Commercial | Total |
| 1st Qtr-2012 | \$ 30,444,959 | \$ 4,394,400 | \$ 7,708,097 | \$ 42,547,456 |
| 2nd Qtr-2012 | \$ 52,118,876 | \$ - | \$ 17,407,894 | \$ 69,526,770 |
| 3rd Qtr-2012 | \$ 34,176,841 | \$ - | \$ 14,525,600 | \$ 48,702,441 |
| 4th Qtr-2012 | \$ 33,010,036 | \$ - | \$ 5,246,280 | \$ 38,256,316 |
| 1st Qtr-2013 | \$ 42,299,745 | \$ - | \$ 7,708,097 | \$ 50,007,842 |
| % Chg Last Qtr | 28.1 | 0.0 | 46.9 | 30.7 |
| % Chg Last Year | 38.9 | -100.0 | 0.0 | 17.5 |



| New Building Permits | | | | |
|----------------------|---------------|--------------|------------|-------|
| | Single Family | Multi-Family | Commercial | Total |
| 1st Qtr-2012 | 224 | 75 | 4 | 303 |
| 2nd Qtr-2012 | 442 | - | 8 | 450 |
| 3rd Qtr-2012 | 294 | - | 3 | 297 |
| 4th Qtr-2012 | 274 | - | 6 | 280 |
| 1st Qtr-2013 | 349 | - | 8 | 357 |
| % Chg Last Qtr | 27.4 | 0.0 | 33.3 | 27.5 |
| % Chg Last Year | 55.8 | -100.0 | 100.0 | 17.8 |



| Additions and Remodels | | | |
|------------------------|---------------|------------|-------|
| | Single Family | Commercial | Total |
| 1st Qtr-2012 | 36 | 152 | 188 |
| 2nd Qtr-2012 | 47 | 167 | 214 |
| 3rd Qtr-2012 | 45 | 191 | 236 |
| 4th Qtr-2012 | 43 | 248 | 291 |
| 1st Qtr-2013 | 49 | 202 | 251 |
| % Chg Last Qtr | 14.0 | -18.5 | -13.7 |
| % Chg Last Year | 36.1 | 32.9 | 33.5 |



| Additions and Remodel Valuation | | | |
|---------------------------------|---------------|---------------|---------------|
| | Single Family | Commercial | Total |
| 1st Qtr-2012 | \$ 3,791,482 | \$ 24,051,182 | \$ 27,842,664 |
| 2nd Qtr-2012 | \$ 1,045,372 | \$ 29,460,351 | \$ 30,505,723 |
| 3rd Qtr-2012 | \$ 820,683 | \$ 38,832,952 | \$ 39,653,635 |
| 4th Qtr-2012 | \$ 667,750 | \$ 56,370,885 | \$ 57,038,635 |
| 1st Qtr-2013 | \$ 834,050 | \$ 50,242,695 | \$ 51,076,745 |
| % Chg Last Qtr | 24.9 | -10.9 | -10.5 |
| % Chg Last Year | -78.0 | 108.9 | 83.4 |

Source: city of Las Vegas (including subdivision information)



2012 Population Estimate



| Council Ward | 2011 Population | 2012 Population | Change 11-12 | % Change 11-12 |
|--------------|-----------------|-----------------|--------------|----------------|
| Ward 1 | 89,979 | 99,239 | 9,260 | 10.29% |
| Ward 2 | 92,922 | 98,643 | 5,721 | 6.16% |
| Ward 3 | 96,068 | 96,362 | 294 | 0.31% |
| Ward 4 | 93,332 | 99,824 | 6,492 | 6.96% |
| Ward 5 | 93,116 | 97,093 | 3,977 | 4.27% |
| Ward 6 | 120,939 | 103,133 | -17,806 | -14.72% |
| Total | 586,356 | 594,294 | 7,938 | 1.35% |

Data Source: City of Las Vegas Department of Planning

The city's July 1, 2012 population estimate was 594,294. The population increased by 7,938, representing a 1.35 percent increase from last year's estimate of 586,356. This estimate takes advantage of dwelling unit counts current as of June 30, 2012, and also updated occupancy numbers from the U.S. Census Bureau and NV Energy. The estimate is forwarded to the Nevada state demographer, who uses

the information to generate a population estimate that is sanctioned by the governor and used for various state and local programs, including revenue sharing. The table shows the population by council ward. It should be noted that the 2012 council ward populations reflect redrawn council ward boundaries, which may cause significant shifts in population. ^{GW}



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